

## Allstate & Nationwide Support Multiple Peril Insurance

### WASHINGTON

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Allstate, Nationwide Show Support For NFIP Expansion

BY ARTHUR D. POSTAL

National Underwriter Online News Service, July 13, 3:32 p.m. EDT

WASHINGTON -Allstate and Nationwide are bucking a large insurance industry segment by throwing their support behind some form of expansion of the National Flood Insurance Program to include windstorm coverage.

And Sen. Trent Lott, R-Miss., a member of the Senate Republican leadership, is also voicing measured support for the concept involved in the legislation-H.R. 920, the Multiple Peril Insurance Act.

The bill, sponsored by Rep. Gene Taylor, D-Miss. has come under fire from the American Insurance Association, which produced a report estimating the legislation could cause a \$200 billion deficit for the flood program.

Rep. Taylor's policy director Brian Martin has written the AIA that they "cooked the books" in making a report with calculations based on false assumptions.

Both Rep Taylor and Sen. Lott lost homes to Hurricane Katrina and filed suits against State

Farm in disputes over wind damage claims that they ultimately settled.

Rep. Taylor's bill will be the subject of a hearing Tuesday before the Housing Subcommittee of the House Financial Services Committee.

But it remains unclear whether there is enough support for the bill in the House to persuade the Committee leadership to act on it, especially because of strong industry opposition, led by AIA.

Support for the measure from Allstate came in a letter yesterday to Rep. Taylor, from Michael McCabe, the company's senior vice president and chief legal officer. "We support the concepts contained in H.R. 920, if properly constructed and implemented ..." it said in part.

In the letter, Mr. McCabe offered "some thoughts" on how the bill might be revised to meet the concerns of Allstate.

He wrote that the "private insurance mechanism is not well suited to low-frequency, high-severity events."

He explained, "We need a better system in our country to deal with major events, one that would leverage a stronger public-private partnership as part of an integrated and comprehensive solution.

"Actuarially based and properly implemented solutions must be brought to bear to provide wind coverage in coastal areas," he added.

"An important first step toward the right solution is acknowledging the federal government's critical role in either providing such coverage directly or through a backstop to the private market for high-severity natural catastrophes that are otherwise beyond the ability of the private insurance market to handle," Mr. McCabe said.

Steve Rasmussen,

president and chief operating officer for the property-casualty insurance operations for Nationwide, Allied and Farmland Insurance Companies, said that Nationwide believes the bill "has served a valuable purpose in further discussion and dialogue about meaningful and practical alternative approaches to the 'wind vs. water' debate."

The debate he referred to concerns the legal challenges to insurers' policy language that excludes wind damage claims if the destruction occurs simultaneously with flooding and policy wording that excludes wind-driven storm surge.

"While questions regarding process and implementation need to be addressed, we encourage you and your subcommittee to continue to hold critical hearings," Mr. Rasmussen added.

In his comments, Sen. Lott said, "Clearly, the mechanisms governing the NFIP and private windstorm property insurance system failed in response to Hurricane Katrina.

"I encourage you to explore whether proposals such as H.R. 920 and other concepts would provide residents of coastal areas with effective options to obtain insurance coverage for their homes and businesses against all perils while protecting taxpayers from paying claims for damages covered by private insurance."

In a letter to the Financial Services Committee leadership, AIA President Marc Racicot acknowledged that the property insurance market currently is "under stress" in several Atlantic and Gulf Coast states. But the solution, he said, "rests in improving, not displacing, private sector ability to serve homeowners and businesses in the path of potential storms."

He added, "We oppose the creation of hurricane 'cat funds' and other government programs that ultimately result in a bail-out from taxpayers living in less-risky areas," he added.

The bill at issue was proposed by Rep. Taylor in response to what he sees as unfair practices by insurers in adjusting claims in the wake of Hurricane Katrina.

Because insurers adjust claims for both their windstorm policies and the flood policies they administer under the NFIP's Write-Your-Own program, Rep. Taylor has alleged that insurers intentionally attributed an unfair share of the damages to flooding, which is paid for by the federal government, rather than to wind damages that would be included in their own policies.

The legislation has supporters on both sides of the aisle, including Rep. Maxine Waters, D-Calif., and Rep. Bobby Jindal, R-La.